

LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA



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FINANCIAL STATEMENT AUDIT  
ISSUED JANUARY 18, 2006

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1600 NORTH THIRD STREET  
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

**DIRECTOR OF FINANCIAL AUDIT**

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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December 7, 2005

Independent Auditor's Report  
on the Financial Statements

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005. These financial statements are the responsibility of management of the Louisiana Agricultural Finance Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2005, and changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the Louisiana Agricultural Finance Authority did not directly suffer any major effects of these two hurricanes, the long-term effects of these events directly on the authority cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2005, on our consideration of the Louisiana Agricultural Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Louisiana Agricultural Finance Authority's basic financial statements. The accompanying Annual Fiscal Report to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The report has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

BB:CGEW:THC:dl

LAF05

Management's discussion and analysis of the Louisiana Agricultural Finance Authority's financial performance presents a narrative overview and analysis of the authority's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this information in conjunction with the authority's basic financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The authority's assets exceeded its liabilities at the close of fiscal year 2005 by \$28,155,831, which represents a 2.6% decrease from last fiscal year. The net assets decreased by \$756,797.
- The authority's operating revenue decreased by \$1,167,222 (or 20.2%) and the net results from activities decreased by \$526,647 (or 32.0%).

### OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and supplementary information.

#### Basic Financial Statements

The basic financial statements present information for the authority, as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the authority's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the authority's cash changed as a result of current year operations. The cash flows statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE AUTHORITY****Statement of Net Assets  
As of June 30, 2005 and June 30, 2004  
(in thousands)**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current and other assets	\$36,527	\$70,617
Capital assets	<u>73,981</u>	<u>42,275</u>
Total assets	<u>110,508</u>	<u>112,892</u>
Current liabilities	18,261	15,522
Long-term debt outstanding	<u>64,092</u>	<u>68,457</u>
Total liabilities	<u>82,353</u>	<u>83,979</u>
Net assets:		
Invested in capital assets, net of debt	33,141	31,055
Restricted	587	511
Unrestricted (deficit)	<u>(5,573)</u>	<u>(2,653)</u>
Total net assets	<u>\$28,155</u>	<u>\$28,913</u>

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements. Conversely, unrestricted net assets are those that do not have any limitations on what these amounts may be used for.

**Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
For the Years Ended June 30, 2005 and June 30, 2004  
(in thousands)**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Operating revenues	\$4,624	\$5,791
Operating expenses	<u>(6,797)</u>	<u>(7,437)</u>
Operating loss	<u>(2,173)</u>	<u>(1,646)</u>
Nonoperating revenues	<u>1,496</u>	<u>1</u>
Net decrease in net assets	<u>(\$677)</u>	<u>(\$1,645)</u>

The authority's total revenues decreased by \$1,167,222 (or 20.2%). The total cost of all programs and services decreased by \$640,575 (or 8.6%).



### CAPITAL ASSETS

At the end of 2005, the authority had \$73,981,760 invested in a broad range of capital assets, including land, buildings, equipment, and construction-in-progress. This amount represents a net increase (including additions and deductions) of \$31,706,501 (or 75%) over the last year.

#### Capital Assets at Year-End (Net of Depreciation, in thousands)

	<u>2005</u>	<u>2004</u>
Land	\$6,512	\$6,512
Buildings and improvements	30,157	27,994
Equipment	4,687	2,220
Construction-in-progress	<u>32,626</u>	<u>5,549</u>
Total	<u>\$73,982</u>	<u>\$42,275</u>

### DEBT ADMINISTRATION

The authority has \$69,390,748 of revenue bonds and notes outstanding at June 30, 2005, compared to \$74,115,463 last year, a decrease of 6.4%. The authority does not have general obligation bonds, and the revenue bonds were private placement bonds that do not require rating.

The authority had no claims and judgments at current year-end or prior year-end.

### CONTACTING THE LOUISIANA AGRICULTURAL FINANCE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide residents, taxpayers, customers, and investors and creditors with a general overview of the Louisiana Agricultural Finance Authority's finances and to show the authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Corinne Brousseau, Louisiana Department of Agriculture and Forestry, Post Office Box 631, Baton Rouge, Louisiana 70821-0631.

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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Net Assets, June 30, 2005**

**ASSETS**

Current assets:

Cash (note 2)	\$61,777
Due from primary government (note 9)	14,462,758
Revenue lease receivable (note 4-C)	1,353,248
Unamortized debt issue costs	49,412
Total current assets	<u>15,927,195</u>

Noncurrent assets:

Cash - restricted (note 2)	12,840,022
Revenue lease receivable (note 4-C)	7,320,504
Unamortized debt issue costs	437,966
Property, plant, and equipment (net of depreciation) (note 4)	73,981,760
Other noncurrent assets	900
Total noncurrent assets	<u>94,581,152</u>

TOTAL ASSETS	<u>110,508,347</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	30,030
Accounts payable from restricted assets	3,465,244
Other liabilities	1,800
Deferred revenues	1,342,699
Bonds payable (note 5)	1,086,920
Notes payable (note 5)	11,563,736
Accrued interest on bonds payable	83,034
Accrued interest on notes payable	344,230
Obligations under capital leases (note 5)	342,968
Total current liabilities	<u>18,260,661</u>

(Continued)

The accompanying notes are an integral part of this statement.

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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND  
Statement of Net Assets, June 30, 2005**

**LIABILITIES (CONT.)**

Noncurrent liabilities:

Deferred revenues	\$7,209,928
Bonds payable (note 5)	51,521,518
Notes payable (note 5)	5,218,574
Obligations under capital leases (note 5)	141,835
Total noncurrent liabilities	<u>64,091,855</u>

TOTAL LIABILITIES	<u>82,352,516</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	33,141,703
Restricted for Lacassine Syrup Mill	586,839
Unrestricted	<u>(5,572,711)</u>

TOTAL NET ASSETS	<u><u>\$28,155,831</u></u>
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(Concluded)

The accompanying notes are an integral part of this statement.

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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
For the Year Ended June 30, 2005**

**Operating revenues:**

Rental income pledged as security for revenue bonds	\$2,259,509
Intergovernmental (note 11)	1,378,697
Use of money and property	911,560
Other	74,335
Total operating revenues	<u>4,624,101</u>

**Operating expenses:**

Administrative services	688,143
Contractual services	270,904
Operating services	1,330,121
Supplies	386,609
Professional services	431,678
Amortization of bond issuance costs (note 5)	49,168
Interest expense	2,175,880
Depreciation expense	1,464,154
Total operating expenses	<u>6,796,657</u>
Operating loss	<u>(2,172,556)</u>

**Nonoperating revenues (expenses):**

Capital contributions	1,546,551
Loss on disposal of equipment	<u>(50,504)</u>

<b>Net nonoperating revenue</b>	<u>1,496,047</u>
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<b>Change in net assets</b>	(676,509)
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**TOTAL NET ASSETS AT BEGINNING OF YEAR -  
AS RESTATED ( note 8)**

28,832,340

**TOTAL NET ASSETS AT END OF YEAR**

\$28,155,831

The accompanying notes are an integral part of this statement.

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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Cash Flows  
For the Year Ended June 30, 2005**

**Cash flows from operating activities:**

Cash received from customers	\$4,393,896
Cash payments to suppliers for goods and services	(5,723,065)
Net cash used by operating activities	<u>(1,329,169)</u>

**Cash flows from noncapital financing activities:**

Primary government repayment of amounts due	5,083,307
Repayment of notes payable	(11,608,652)
Proceeds from issuance of notes payable	<u>6,500,000</u>
Net cash used by noncapital financing activities	<u>(25,345)</u>

**Cash flows from capital and related financing activities:**

Principal paid on bonds	(840,562)
Proceeds from issuance of bonds	1,224,500
Unamortized debt issuance costs	(5,216)
Acquisition/construction of capital assets	<u>(28,362,807)</u>
Net cash used by capital and related financing activities	<u>(27,984,085)</u>

Net decrease in cash and cash equivalents (29,338,599)

Cash and cash equivalents at beginning of year 42,240,398

Cash and cash equivalents at end of year \$12,901,799

(Continued)

The accompanying notes are an integral part of this statement.

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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
PROPRIETARY FUND - ENTERPRISE FUND  
Statement of Cash Flows, 2005**

**Reconciliation of Operating Loss to Net Cash**

**Used by Operating Activities:**

Operating loss	<u>(\$2,172,556)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	1,513,322
Changes in assets and liabilities:	
Decrease in receivables	23,800
Decrease in due from primary government	268,363
(Decrease) in accounts payable	(27,195)
(Decrease) in due to primary government	(855,983)
(Decrease) in deferred revenue	(119,325)
Increase in interest payable	<u>40,405</u>
Total adjustments	<u>843,387</u>
Net cash used by operating activities	<u><u>(\$1,329,169)</u></u>

**Schedule of Noncash Investing, Capital, and Financing Activities:**

Borrowing under capital lease	\$585,475
Disposal of fixed assets	\$220,442
Contributed capital	\$1,546,551

(Concluded)

The accompanying notes are an integral part of this statement.

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## INTRODUCTION

The Louisiana Agricultural Finance Authority (authority) is a component unit of the State of Louisiana created under the provisions of Louisiana Revised Statutes (R.S.) 3:261-284, within the Department of Agriculture and Forestry, State of Louisiana, and is domiciled in East Baton Rouge Parish. The authority consists of nine members, one of whom is the commissioner of the Department of Agriculture and Forestry and eight members appointed by the governor. The members may receive a per diem not to exceed \$40 per meeting, plus mileage expenses. The authority has no employees. Employees of the Department of Agriculture and Forestry perform the administrative and accounting functions of the authority.

The authority was established to issue bonds to provide financing for agricultural loans through the purchase or guarantee of existing loans or negotiation of new loans and to supervise and use public employees, equipment, and material in carrying out public work. The bonds are limited special obligations of the Louisiana Agricultural Finance Authority and do not constitute a general, special, or moral obligation of the State of Louisiana. In addition, the authority can issue revenue bonds for the purpose of acquiring, constructing, renovating, and equipping an office building and connected related facilities for use by the Department of Agriculture and Forestry in connection with the promotion and assistance of agriculture and forestry within the state. The revenue bonds are limited obligations of the Louisiana Agricultural Finance Authority and do not constitute a debt of the State of Louisiana. Upon termination of the authority by law, R.S. 3:283 requires that all rights, money, assets, and revenues in excess of obligations be deposited in the state General Fund.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with policies established by the Division of Administration, the authority has elected to follow GASB pronouncements issued after November 30, 1989, rather than FASB pronouncements.

### B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The authority is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor

appoints eight of the nine authority members and is able to impose her will on the authority. The accompanying financial statements present only the activity of the Louisiana Agricultural Finance Authority. Annually, the State of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements.

### **C. FUND ACCOUNTING**

All activities of the authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### **D. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of the authority is rental fees for office space and intergovernmental revenue from the Department of Agriculture and Forestry. Operating expenses include administrative expenses, interest, and depreciation on capital assets.

### **E. BUDGET PRACTICES**

The Louisiana Agricultural Finance Authority does not adopt a formal budget on a fiscal basis.

**F. CASH**

Cash represents petty cash, amounts in demand deposits, and amounts on deposit with the fiscal agent bank. Under state law, the authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the authority may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

**G. CAPITAL ASSETS**

Property and equipment are valued at historical cost except for donated capital assets, which are recorded at their estimated value at the time of donation. Equipment includes all items valued at or above \$5,000. Depreciation of all exhaustible capital assets of the authority is charged as an expense against operations. Depreciation is computed using the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	40
Equipment	5 or 10

**H. COMPENSATED ABSENCES, PENSION BENEFITS, AND POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The authority has no employees. Department of Agriculture and Forestry employees perform the administrative and accounting functions for the authority. Therefore, no compensated absences, pension benefits, or postretirement benefits are provided by the authority.

**I. LONG-TERM OBLIGATIONS**

Bond issuance costs are reported and amortized over the life of the bonds. Capital leases are reported at the present value of net minimum lease payments.

**J. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following three components:

Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets subject to external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of all other net assets that are not included in the other categories previously mentioned.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the authority's policy is to first apply the expense toward restricted resources, then toward unrestricted resources.

## **K. ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **2. CASH AND CASH EQUIVALENTS**

For reporting purposes, cash represents amounts in interest-bearing demand deposits, amounts on deposit with the fiscal agent bank, and petty cash. At June 30, 2005, the authority has cash deposits (book balances) of \$12,901,799 as follows:

Interest-bearing demand deposits	\$648,416
Cash with fiscal agent	12,253,183
Petty cash	<u>200</u>
Total	<u><u>\$12,901,799</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the authority's deposits may not be recovered. Under state law, the authority's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the authority or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

## NOTES TO THE FINANCIAL STATEMENTS

The following is a breakdown by banking institution and amount of the collected bank balances:

<u>Banking Instituion</u>	<u>Program or Type</u>	<u>Amount</u>
Hibernia - Demand Account	Operating Account	\$718,926
Hibernia	Cash with Fiscal Agent	<u>12,253,183</u>
Total		<u><u>\$12,972,109</u></u>

### 3. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2005, follows:

	Beginning Balance July 1, 2004	Adjustments	Restated Beginning Balance July 1, 2004	Additions	Deletions	Ending Balance June 30, 2005
Capital assets not being depreciated:						
Land	\$6,512,438		\$6,512,438			\$6,512,438
Construction-in-progress	<u>5,548,568</u>	<u>(\$172,828)</u>	<u>5,375,740</u>	<u>\$35,009,047</u>	<u>(\$7,758,604)</u>	<u>32,626,183</u>
Total capital assets not being depreciated	<u>12,061,006</u>	<u>(172,828)</u>	<u>11,888,178</u>	<u>35,009,047</u>	<u>(7,758,604)</u>	<u>39,138,621</u>
Capital assets being depreciated:						
Buildings	30,343,746	(1,115,598)	29,228,148	842,103	(648,859)	29,421,392
Land improvements	3,336,891	1,106,348	4,443,239	2,848,183		7,291,422
Equipment	<u>5,865,468</u>	<u>101,750</u>	<u>5,967,218</u>	<u>3,123,196</u>	<u>(220,441)</u>	<u>8,869,973</u>
Total capital assets being depreciated	<u>39,546,105</u>	<u>92,500</u>	<u>39,638,605</u>	<u>6,813,482</u>	<u>(869,300)</u>	<u>45,582,787</u>
Less accumulated depreciation for:						
Buildings	(5,494,660)		(5,494,660)	(735,525)		(6,230,185)
Land improvements	(192,051)		(192,051)	(133,802)		(325,853)
Equipment	<u>(3,645,141)</u>		<u>(3,645,141)</u>	<u>(594,827)</u>	<u>56,358</u>	<u>(4,183,610)</u>
Total accumulated depreciation	<u>(9,331,852)</u>	<u>NONE</u>	<u>(9,331,852)</u>	<u>(1,464,154)</u>	<u>56,358</u>	<u>(10,739,648)</u>
Total capital assets (net)	<u><u>\$42,275,259</u></u>	<u><u>(\$80,328)</u></u>	<u><u>\$42,194,931</u></u>	<u><u>\$40,358,375</u></u>	<u><u>(\$8,571,546)</u></u>	<u><u>\$73,981,760</u></u>

Information relating to construction-in-progress follows:

<u>Project</u>	<u>Costs to Date</u>	<u>Estimated Completion Date</u>	<u>Estimated Cost to Complete</u>
Lacassine syrup plant	\$31,222,409	10/31/05	\$15,324,142
Hammond fence	59,281	08/04/05	
Haughton fence	4,421	11/30/05	\$10,000
Homer poultry lab	749,446	10/15/05	150,000
Woodworth office building	590,626	10/01/06	600,000
Total	<u>\$32,626,183</u>		<u>\$16,084,142</u>

#### 4. LEASES

##### A. CAPITAL LEASES

The authority has entered into lease agreements for financing the acquisition of equipment. Capital leases are recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by the National Council on Governmental Accounting Statement No. 5, as adopted by the GASB, and FASB 13 are reported on the following schedules:

<u>Nature of Lease</u>	<u>Date of Lease</u>	<u>Last Payment Date</u>	<u>Remaining Interest to End of Lease</u>	<u>Remaining Principal to End of Lease</u>
Equipment	05/10/2004	04/10/2006	\$915	\$68,583
Equipment	07/01/2004	10/10/2005	2,890	139,814
Equipment	07/14/2004	06/10/2006	535	33,959
Equipment	04/05/2005	03/05/2007	3,133	71,035
Equipment	04/27/2005	03/27/2007	7,562	171,412
			<u>\$15,035</u>	<u>\$484,803</u>

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## NOTES TO THE FINANCIAL STATEMENTS

The assets acquired through capital leases are as follows:

Equipment	\$1,796,385
Less - accumulated depreciation	<u>(795,994)</u>
Total	<u><u>\$1,000,391</u></u>

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	
2006	\$355,673
2007	<u>144,165</u>
Total minimum lease payments	499,838
Less - amounts representing executory costs	<u>NONE</u>
Net minimum lease payments	499,838
Less - amounts representing interest	<u>(15,035)</u>
Present value of net minimum lease payments	<u><u>\$484,803</u></u>

### **B. OPERATING LEASES**

The total payments for operating leases, consisting of leases of land, during the fiscal year 2004-2005 amounted to \$1,200. A schedule of payments for the land operating leases follows for fiscal years ending June 30:

<u>Year ending June 30,</u>	<u>Amount</u>
2006	\$1,200
2007	1,200
2008	1,200
2009	<u>1,200</u>
Total	<u><u>\$4,800</u></u>

**C. REVENUE LEASES****Lessor - Direct Financing Leases**

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable
- No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease

On July 1, 2002, the authority entered into a lease agreement with the Department of Agriculture and Forestry for the acquisition, construction, and installation of cold storage facilities at the main office buildings in Baton Rouge and at the Woodworth site and to refund the outstanding principal of \$1,755,000 for the Louisiana Agricultural Finance Authority (LAFA) Revenue Bonds, Series 1998. The term of the lease agreement is from July 1, 2002, to July 1, 2012, or such earlier time as the bonds, which were issued to finance construction and the refunding, have been paid or provision for their payment has been made in accordance with the agreement. The authority records that portion of capital lease receivables attributable to future years as deferred revenues.

Nature of Lease	Date of Lease	Minimum Lease Payments Receivable	Remaining Interest to End of Lease	Remaining Principal to End of Lease
Buildings	07/01/2002	\$8,673,752	<u>\$1,065,314</u>	<u>\$7,608,438</u>
Less - amounts representing executory costs		NONE		
Minimum lease payments receivable		<u>8,673,752</u>		
Less - allowance for uncollectibles		NONE		
Net minimum lease payments receivable		<u>8,673,752</u>		
Estimated residual value of leased property		<u>NONE</u>		
Subtotal		<u>8,673,752</u>		
Less - unearned income		<u>(8,552,627)</u>		
Net investment in direct financing leases		<u>\$121,125</u>		

Minimum lease payments do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the building exceeds a certain level of activity each year. The authority had no contingent rentals for fiscal year ended June 30, 2005. The following is a schedule by year of minimum lease receivables as of June 30, 2005:



<u>Year ending June 30,</u>	<u>Lease Receivable</u>
2006	\$1,353,248
2007	1,315,201
2008	1,277,154
2009	1,239,107
2010	1,201,060
2011-2012	<u>2,287,982</u>
Total	<u><u>\$8,673,752</u></u>

#### **D. LESSOR - OPERATING LEASES**

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting) and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale, and the lessor simply records rent revenues as they become due. The following property is on lease or held for leasing as of June 30, 2005:

Buildings	\$12,127,445
Less - accumulated depreciation	<u>(3,056,112)</u>
Total carrying amount of property	<u><u>\$9,071,333</u></u>

The following is a schedule by year of minimum future rentals on noncancellable operating leases as of June 30, 2005:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$916,600
2007	916,600
2008	819,600
2009	819,600
2010	819,600
2011-2015	4,098,000
2016-2020	3,300,000
2021-2024	<u>86,400</u>
	<u><u>\$11,776,400</u></u>

No contingent rentals were received from operating leases for the fiscal year ended June 30, 2005.

**5. LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions of the authority for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Notes payable	\$21,890,962	\$6,500,000	(\$11,608,652)	\$16,782,310	\$11,563,736
Bonds payable	52,224,500	1,224,500	(840,562)	52,608,438	1,086,920
Capital lease obligations	198,738	585,475	(299,410)	484,803	342,968
Total	<u>\$74,314,200</u>	<u>\$8,309,975</u>	<u>(\$12,748,624)</u>	<u>\$69,875,551</u>	<u>\$12,993,624</u>

Notes Payable

At June 30, 2005, the notes payable of \$16,782,310 shown on Statement A is a bank loan. The interest rate on the notes is variable equal to the 30-day London InterBank Offered Rate (LIBOR) plus 75 basis points. LIBOR is the rate at which deposits of United States dollars are offered in the London inter-bank market for certain set interest periods. Interest will be calculated on the basis of a 360-day year based on actual days elapsed.

Bonds Payable

Debt issued by the authority for which the authority and/or the government have responsibility for repayment in the event of default is recorded in the financial statements and is comprised of the following issues:

Issued for	Date Issued	Original Issue	Outstanding June 30, 2004	Issued (Redeemed)	Outstanding June 30, 2005	Maturity Date	Interest Rates
Building projects	10/2/2002	\$2,755,000	\$2,204,000	(\$275,500)	\$1,928,500	1/15/2012	variable
Building projects	2/21/2003	500,000	500,000	(62,500)	437,500	1/15/2012	variable
Building projects	5/7/2003	500,000	500,000	(62,500)	437,500	1/15/2012	variable
Building projects	7/24/2003	500,000	500,000	(62,500)	437,500	1/15/2012	variable
Building projects	10/14/2003	1,000,000	1,000,000	(125,000)	875,000	1/15/2012	variable
Building projects	11/14/2003	1,000,000	1,000,000	(125,000)	875,000	1/15/2012	variable
Building projects	12/10/2003	1,020,500	1,020,500	(127,562)	892,938	1/15/2012	variable
Building projects	1/21/2004	500,000	500,000		500,000	1/15/2012	variable
Building projects	9/3/2004	500,000		500,000	500,000	1/15/2012	variable
Building projects	12/2/2004	724,500		724,500	724,500	1/15/2012	variable
Lacassine syrup plant	3/2/2004	45,000,000	45,000,000		45,000,000	1/15/2016	variable
Total		<u>\$54,000,000</u>	<u>\$52,224,500</u>	<u>\$383,938</u>	<u>\$52,608,438</u>		

## NOTES TO THE FINANCIAL STATEMENTS

Using rates as of June 30, 2005, debt service requirements of the variable-rate bonds and interest rate swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

<u>Fiscal year ending</u>	<u>Interest Rate</u> <u>Swap (Note 6)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	(\$965,205)	\$1,086,920	\$1,714,137	\$1,835,852
2007		4,986,920	1,676,090	6,663,010
2008		5,106,920	1,512,566	6,619,486
2009		5,236,920	1,345,181	6,582,101
2010		5,366,920	1,173,614	6,540,534
2011-2015		25,673,838	3,257,653	28,931,491
2016		5,150,000	165,694	5,315,694
Total	(\$965,205)	\$52,608,438	\$10,844,935	\$62,488,168

The authority acquired a line of credit with Hibernia National Bank not to exceed \$9,000,000 to be evidenced by the authority's issuance of revenue bonds. The funds will be used to acquire, construct, and install cold storage facilities at the main office building of the Louisiana Department of Agriculture and Forestry on Florida Boulevard in Baton Rouge, install a connected related facility at the Woodworth site, and refund \$1,755,000 for the outstanding principal amount of LAFA 1998 Revenue bonds. As of June 30, 2005, the authority has drawn \$8,449,000 on the line of credit. The related revenue bonds are secured by the Feed, Fertilizer, and Pesticide Funds (License and Regulatory Boards Funds Account) and capital leases. The interest rate on the bonds is variable. The rate to be used for interest payments will be calculated by multiplying the LIBOR by 65% and adding 119 basis points. Interest will be calculated on the basis of a 360-day year based on actual days elapsed.

Unamortized bond issuance costs associated with the \$9,000,000 revenue bonds include legal and other fees. The original issuance costs were \$83,228. These costs will be amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2005, is \$63,090. The bond issuance costs amortized in fiscal year 2004-2005 were \$9,391.

The authority acquired a line of credit with Hibernia National Bank not to exceed \$45,517,808 to be evidenced by the authority's issuance of \$45,000,000 of revenue bonds. The funds will be used to acquire, construct, install, and equip a cane syrup production mill in Lacassine, Jefferson Davis Parish, Louisiana and other facilities related to the use of sugar cane. The related revenue bonds are secured by the net revenues from the operation of the facilities and the avails of the net slot machine proceeds described in R.S. 27:392(B)(4). The bonds may be fixed per annum (Term) or fluctuating per annum (Weekly) rate bonds bearing interest at a rate not exceeding 12% per annum. Interest at the Weekly rate and interest at the Term rate for any period of one year or less will be computed on the basis of a 365 or 366-day year. Interest at the Term rate for any period of more than one year will be computed on the basis of a 360-day year with 12 months of 30 days each.

Unamortized bond issuance costs associated with the \$45,000,000 Series 2004 revenue bonds include legal and other fees. The original issuance costs were \$307,326, and the bonds were issued at a discount of \$170,000. These costs will be amortized over the life of the bonds using the straight-line method. The balance of unamortized bond issuance costs at June 30, 2005, is \$273,178. The bond issuance costs amortized in fiscal year 2004-2005 were \$25,610. The balance of unamortized bond discount at June 30, 2005, is \$151,110. The bond discount amortized in fiscal year 2004-2005 was \$14,167.

### Capital Lease Obligations

Capital lease obligations at June 30, 2005, of \$484,803 are detailed in note 4-A.

## **6. INTEREST RATE SWAP AGREEMENT**

The authority has entered into an interest rate swap agreement with Hibernia National Bank to reduce the impact of changes in interest rates on its Series 2004 Variable Rate Demand Revenue Bonds. As of June 30, 2005, \$45,000,000 in outstanding bonds was recorded as a liability in the financial statements.

**Objective of the interest rate swap:** As a means of lowering its borrowing costs, when compared against fixed-rate bonds, the authority entered into the interest rate swap agreement, the intention of which was to effectively change the authority's variable interest rate on the bonds to a fixed rate of 2.1875% for the duration of the agreement.

**Terms:** The Master Swap Agreement, dated February 27, 2004, and effective March 3, 2004, has a notional amount of \$45,000,000 and terminates on March 1, 2006. The swap's notional amount matches the principal amount of the variable-rate bonds. Under the swap, the authority pays Hibernia National Bank fixed payments of 2.1875% for the bonds and receives a variable payment computed monthly based on a one-month LIBOR weighted rate.

**Fair Value:** The fair value of the swap agreement as of June 30, 2005, is a positive \$449,905, which is not reported in the financial statements. The fair value was estimated using proprietary models, as based upon indicative mid-market levels as of the close of business on the applicable date.

**Credit Risk:** Credit risk is the risk that a counterparty will not fulfill its obligations. At June 30, 2005, the authority is exposed to credit risk in the amount of \$449,905, which is the swap's positive fair value. However, should interest rates change and the fair value of the swap becomes negative, the authority would not be exposed to credit risk. The swap counter party is rated A-3 by Moody's Investors Services and A- by Standard & Poor's at June 30, 2005.

**Basis Risk:** Basis risk is the risk that arises when variable interest rates on an interest rate swap and an associated bond are based on different indexes. The interest rates for both the swap and the bonds are based on LIBOR. Therefore, the authority is not subject to basis risk.

**Interest Rate Risk:** The swap increases the authority's exposure to interest rate risk. As LIBOR increases, the authority's net payment on the swap increases.

**Termination Risk:** The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap agreement may be terminated if either party fails to make payment, when due, under the swap agreement; breaches the agreement; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or merges without assumption or commits an illegality. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value.

**Rollover Risk:** The authority is exposed to rollover risk on the swap because it terminates prior to the maturity of the associated debt. When the swap terminates, the authority will not realize the synthetic rate offered by the swap on the bonds.

## **7. CONDUIT DEBT OBLIGATIONS**

In August 1995, the GASB issued Interpretation No. 2 (Disclosure of Conduit Debt Obligations). Governmental entities may enter into arrangements whereby a nongovernmental entity is able to finance the acquisition of facilities by issuing conduit debt obligations, which the GASB describes as follows:

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity

The GASB concluded that conduit debt does not create a liability and, therefore, does not have to be presented on the governmental entity's financial statements.

The authority is authorized by R.S. 3:266 to issue bonds to provide financing for agricultural loans through the purchase or guarantee of existing loans or negotiation on new loans. During 1986, the authority issued two bond issues (1986A I and 1986A II) totaling \$300,000,000 that are currently in default.

Debt issued by the authority for which the authority and the government have no responsibility for repayment is not recorded in the accompanying financial statement and is comprised of the following issues:

## LOUISIANA AGRICULTURAL FINANCE AUTHORITY

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired to Date</u>	<u>Outstanding June 30, 2005</u>
Agricultural Loan Program:						
	unknown	1984B	various	\$6,496,669	\$6,427,084	\$69,585
	8.25%	1986A I	various	150,000,000	103,946,826	46,053,174
	8.80%	1986A II	various	150,000,000	101,856,212	48,143,788
Balance at June 30, 2005				<u>\$306,496,669</u>	<u>\$212,230,122</u>	<u>\$94,266,547</u>

Both of the 1986 bond issues were payable solely from the proceeds of two Guaranteed Investment Contracts with Executive Life Insurance Company and from certain agricultural loans permitted under the financing program. The commissioner of insurance from the state of California placed Executive Life Insurance Company into conservatorship on April 11, 1991. Both of the 1986 series bonds subsequently defaulted.

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. Distributions through the fiscal year ended June 30, 2005, under the modified plan, including interest, total \$144,292,093 for the LAFA I bonds and \$144,015,262 for the LAFA II bonds. These distributions include court-ordered trust administration costs of \$4,526,500 each for the LAFA I and LAFA II series. Principal and interest of \$103,946,826 and \$35,818,767, respectively, have been paid for the LAFA I series bonds, and principal and interest of \$101,856,212 and \$37,632,550, respectively, have been paid for the LAFA II series bonds. Under the plan, distributions can continue until the conservator declares that they are complete or the modified plan has expired.

### 8. NET ASSETS RESTATED

The beginning net assets as reflected on Statement B have been restated to reflect the following adjustments:

Net assets, June 30, 2004	\$28,912,628
Corrections to capital assets	<u>(80,288)</u>
Net assets at June 30, 2004, as restated	<u>\$28,832,340</u>

**9. DUE TO/FROM PRIMARY GOVERNMENT**

At June 30, 2005, the authority has amounts due to/from the primary government for the following:

<u>Source</u>	<u>Total</u>
Department of Agriculture and Forestry:	
Licensing and Regulatory Boards	\$146,788
Boll Weevil Eradication Program for	
lease payments on office space	57,600
Repayment of loans*	14,339,375
Lease payments on office space	24,250
Reimbursement for electrical workers	18,817
Salaries and related benefits	(146,788)
Office of Group Benefits:	
Lease payments on office space	21,069
Reimbursement for office space renovations	1,647
	<hr/>
Total due from primary government	<u><u>\$14,462,758</u></u>

\*The Department of Agriculture and Forestry funds the loan repayments from net slot machine proceeds collected pursuant to R.S. 27:392(B)(4).

**10. RISK MANAGEMENT**

The authority is exposed to various risks of losses related to general liability: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The authority is a party to various legal proceedings incidental to its business but is not involved in litigation seeking “damages.” However, the authority is involved as a defendant in litigation seeking relief other than damages. In the opinion of management, all such matters are adequately covered by insurance purchased from the Office of Risk Management and are not expected to have a material effect on the financial statements. During the past three years, there were no claims against the authority that exceeded insurance coverage.

During the year ended June 30, 2005, a total of \$377,600 was expended for legal services.

**11. INTERGOVERNMENTAL REVENUES**

During the fiscal year ended June 30, 2005, the authority received intergovernmental revenues from the primary government as follows:

<u>Source</u>	<u>Amount</u>
Department of Agriculture and Forestry:	
Boll Weevil Eradication Program	\$391,347
Licensing and Regulatory Board	<u>987,350</u>
Total	<u><u>\$1,378,697</u></u>

## **12. COOPERATIVE ENDEAVORS**

R.S. 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The authority has entered into a cooperative endeavor agreement with certain entities aimed at developing the economy of the state. The uncommitted portion of this project as of June 30, 2005, is \$161,855 and the funding source was the Sugar Cane Research Program.



**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,  
DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

The annual fiscal report presents the financial position of the Louisiana Agricultural Finance Authority as of June 30, 2005, and the results of its changes in fund net assets and its cash flows for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.



STATE OF LOUISIANA  
Annual Financial Statements  
Fiscal Year Ending June 30, 2005

LOUISIANA AGRICULTURAL FINANCE AUTHORITY

Division of Administration  
Office of Statewide Reporting  
and Accounting Policy  
P. O. Box 94095  
Baton Rouge, Louisiana 70804-9095

Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Skip Rhorer, Assistant Commissioner of the Department of Agriculture & Forestry, who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Louisiana Agricultural Finance Authority at June 30, 2005, and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 24<sup>th</sup> day of August, 2005.

Skip Rhorer  
Signature of Agency Official

[Signature]  
NOTARY PUBLIC

Prepared by: Corinne Brousseau, CPA  
Title: Internal Auditor  
Telephone No.: 225 922 1255  
Date: \_\_\_\_\_





BOB ODOM  
CHAIRMAN

## Louisiana Agricultural Finance Authority

Post Office Box 3481  
Baton Rouge, Louisiana  
70821-3481  
(225) 922-1255

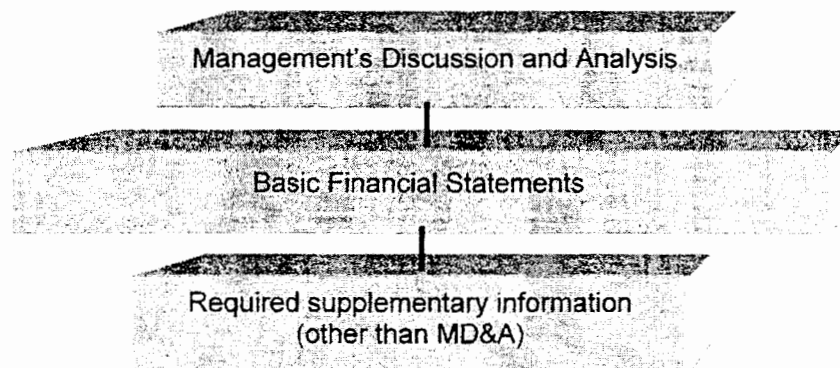
The Management's Discussion and Analysis of the Louisiana Agricultural Finance Authority's financial performance presents a narrative overview and analysis of the authority's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the transmittal letter and the authority's financial statements..

### FINANCIAL HIGHLIGHTS

- ★ The authority's assets exceeded its liabilities at the close of fiscal year 2005 by \$26,706,270, which represents a 7.6% decrease from last fiscal year. The net assets decreased by \$2,206,358 (or 7.6%).
- ★ The authority's operating revenue decreased \$1,312,902 (or 22.7%) and the net results from activities decreased by \$478,728 (or 29.1%).

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2005

**Basic Financial Statements**

The basic financial statements present information for the authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance sheet; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Balance Sheet (page 6) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 7) presents information showing how assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 9 - 10) presents information showing how cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

Statement of Net Assets as of June 30, 2005 (in thousands)		
	Total	
	2005	2004
Current and other assets	\$ 36,674	\$ 70,617
Capital assets	72,532	42,275
Total assets	109,206	112,892
Other liabilities	18,407	15,522
Long-term debt outstanding	64,092	68,457
Total liabilities	82,499	83,979
Net assets:		
Invested in capital assets, net of debt	31,692	31,055
Restricted	(2,878)	511
Unrestricted	(2,107)	(2,653)
Total net assets	\$ 26,707	\$ 28,913

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2005

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ended June 30, 2005 (in thousands)		
	Total	
	2005	2004
Operating revenues	\$ 4,624	\$ 5,791
Operating expenses	(6,700)	(7,437)
Operating income(loss)	(2,076)	(1,646)
Non-operating revenues(expenses)	(50)	(1)
Income(loss) before transfers	(2,126)	(1,647)
Transfers in		
Transfers out		
Net increase(decrease) in net assets	\$ (2,126)	\$ (1,647)

Total revenues decreased by \$1,167,222 or (20.2%). The total cost of all programs and services decreased by \$688,494 or less than 9.3%.

## STATEMENT OF CASH FLOWS

Another way to assess the financial health of the authority is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2005

Statement of Cash Flows (in thousands)		
	2005	2004
Cash and cash equivalents provided used by:		
Operating activities	\$ (1,329)	\$ 174
Capital Financial Activities	(27,984)	39,004
Non-capital financing activities	(25)	2,435
Investing activities		
Net increase in cash and cash equivalents	(29,338)	41,613
Cash and cash equivalents		
Beginning of year	42,240	627
End of year	\$ 12,902	\$ 42,240

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2005, the authority had \$72,532,199 invested in a broad range of capital assets, including land, buildings, equipment, and construction-in-progress. This amount represents a net increase (including additions and deductions) of \$30,256,939, or 71.6%, over last year.

Capital Assets at Year-end (Net of Depreciation, in thousands)		
	2005	2004
Land	\$ 6,512	\$ 6,512
Buildings and improvements	61,333	33,543
Equipment	4,687	2,220
Infrastructure		
Totals \$	<u>72,532</u>	<u>42,275</u>

This year's major additions included (in thousands):

- Construction of the Lacassine Syrup Plant

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2005**

**Debt**

The authority had \$ 69,390,748 in bonds and notes outstanding at year-end, compared to \$74,115,463 last year, an decrease of 6.4% as shown in the table below.

Outstanding Debt at Year-end (in thousands)		
	2005	2004
General Obligation Bonds	\$	\$
Revenue Bonds and Notes	69,391	74,115
Totals \$	<u>69,391</u>	<u>74,115</u>

New debt resulted from new bond issues and new notes.

The authority does not have general obligation bonds, and the revenue bonds where private placement bonds that do not require rating.

The authority has claims and judgments of \$ 0 outstanding at year-end compared with \$ 0 last year. Other obligations include accrued vacation pay and sick leave.

**VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS**

The authority does not have a budget.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The authority does not have a budget.

**CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the authority's finances and to show the authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Corinne Brousseau at 225-922-1255.



**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2005**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents (Note C1)	\$ 61,777
Receivables (net of allowance for doubtful accounts)(Note U)	-
Due from other funds (Note Y)	14,609,546
Other current assets	1,402,660
Total current assets	16,073,983

**NONCURRENT ASSETS:**

Restricted assets (Note F):	
Cash	12,840,022
Receivables	-
Notes receivable	-
Capital assets (net of depreciation)(Note D)	
Land	6,512,438
Buildings and improvements	30,253,766
Machinery and equipment	4,686,363
Infrastructure	-
Construction in progress	31,079,632
Other noncurrent assets	7,759,370
Total noncurrent assets	93,131,591
Total assets	\$ 109,205,574

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable and accruals (Note V)	\$ 30,030
Due to other funds (Note Y)	146,788
Due to federal government	-
Deferred revenues	-
Other current liabilities	427,264
Current portion of long-term liabilities:	
Capital lease obligations - (Note J)	342,968
Notes payable	11,563,736
Liabilities payable from restricted assets (Note Z)	3,465,244
Bonds payable	1,086,920
Other long-term liabilities	1,344,499
Total current liabilities	18,407,449

**NON-CURRENT LIABILITIES:**

Capital lease obligations (Note J)	141,835
Notes payable	5,218,574
Liabilities payable from restricted assets (Note Z)	-
Bonds payable	51,521,518
Other long-term liabilities	7,209,928
Total long-term liabilities	64,091,855
Total liabilities	82,499,304

**NET ASSETS**

Invested in capital assets, net of related debt	31,692,142
Restricted for:	
Capital projects	-
Debt service	-
Other specific purposes	(2,878,405)
Unrestricted	(2,107,467)
Total net assets	26,706,270
Total liabilities and net assets	\$ 109,205,574

The accompanying notes are an integral part of this financial statement.

Statement A

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

**OPERATING REVENUES**

Sales of commodities and services	\$
Assessments	
Use of money and property	3,171,069
Licenses, permits, and fees	
Other	1,453,032
Total operating revenues	4,624,101

**OPERATING EXPENSES**

Cost of sales and services	4,595,192
Administrative	688,143
Depreciation	1,367,164
Amortization	49,168
Total operating expenses	6,699,667

Operating income(loss)	(2,075,566)
------------------------	-------------

**NON-OPERATING REVENUES(EXPENSES)**

State appropriations	
Intergovernmental revenues (expenses)	
Taxes	
Use of money and property	
Gain (loss) on disposal of fixed assets	(50,504)
Federal grants	
Interest expense	
Other	
Total non-operating revenues(expenses)	(50,504)

Income(loss) before contributions and transfers	(2,126,070)
-------------------------------------------------	-------------

Capital contributions	
Transfers in	
Transfers out	

Change in net assets	(2,126,070)
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Total net assets – beginning as restated	28,832,340
------------------------------------------	------------

Total net assets – ending	\$ 26,706,270
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The accompanying notes are an integral part of this financial statement.

Statement B

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expense)
		Operating	Capital	Revenue and
		Grants and	Grants and	Changes in
<u>Expenses</u>	<u>Charges for</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
	<u>Services</u>			
Component Unit:				
Louisiana Agricultural Finance Authority				
	\$ <u>6,699,667</u>	\$ <u>2,259,509</u>	\$ <u>1,378,697</u>	\$ <u>-</u>
				\$ (3,061,461)
General revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				911,560
Miscellaneous				23,831
Special items				
Transfers				
Total general revenues, special items, and transfers				935,391
Change in net assets				(2,126,070)
Net assets - beginning				28,832,340
Net assets - ending				\$ 26,706,270

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Cash flows from operating activities**

Cash received from customers	4,393,896	
Cash payments to suppliers for goods and services	(5,723,065)	
Cash payments to employees for services		
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)		
Net cash provided(used) by operating activities		(1,329,169)

**Cash flows from non-capital financing activities**

State appropriations		
Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable	6,500,000	
Principal paid on notes payable	(11,608,652)	
Interest paid on notes payable		
Operating grants received		
Other	5,083,307	
Transfers In		
Transfers Out		
Net cash provided(used) by non-capital financing activities		(25,345)

**Cash flows from capital and related financing activities**

Proceeds from sale of bonds	1,224,500	
Principal paid on bonds	(840,562)	
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets	(28,362,807)	
Proceeds from sale of capital assets	-	
Capital contributions		
Other	(5,216)	
Net cash provided(used) by capital and related financing activities		(27,984,085)

**Cash flows from investing activities**

Purchases of investment securities		
Proceeds from sale of investment securities		
Interest and dividends earned on investment securities		
Net cash provided(used) by investing activities		-

Net increase(decrease) in cash and cash equivalents	(29,338,599)
Cash and cash equivalents at beginning of year	42,240,398
Cash and cash equivalents at end of year	12,901,799

(Continued)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Reconciliation of operating income(loss) to net cash provided(used) by operating activities:**

Operating income(loss)		<u>(2,075,566)</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	<u>1,416,332</u>	
Provision for uncollectible accounts	<u></u>	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	<u>23,800</u>	
(Increase)decrease in due from other funds	<u>268,363</u>	
(Increase)decrease in prepayments	<u></u>	
(Increase)decrease in inventories	<u>-</u>	
(Increase)decrease in other assets	<u></u>	
Increase(decrease) in accounts payable and accruals	<u>(27,195)</u>	
Increase(decrease) in accrued payroll and related benefits	<u></u>	
Increase(decrease) in compensated absences payable	<u></u>	
Increase(decrease) in due to other funds	<u>(855,983)</u>	
Increase(decrease) in deferred revenues	<u>(119,325)</u>	
Increase(decrease) in other liabilities	<u>40,405</u>	
Net cash provided(used) by operating activities		<u><u>(1,329,169)</u></u>

**Schedule of noncash investing, capital, and financing activities:**

Borrowing under capital lease	<u>585,475</u>
Contributions of fixed assets	<u>NONE</u>
Purchases of equipment on account	<u></u>
Asset trade-ins	<u>NONE</u>
Other (specify)	<u></u>
Disposal of fixed assets	<u>220,442</u>
<b>Total noncash investing, capital, and financing activities:</b>	<u><u>805,917</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

**INTRODUCTION**

The Louisiana Agricultural Finance Authority (authority) is a component unit of the State of Louisiana created under the provisions of Louisiana Revised Statutes (R.S.) 3:261-284, within the Department of Agriculture and Forestry, State of Louisiana, and is domiciled in East Baton Rouge Parish. The authority consists of nine members, one of whom is the commissioner of the Department of Agriculture and Forestry and eight members appointed by the governor. The members may receive a per diem not to exceed \$40 per meeting, plus mileage expenses. The authority has no employees. Employees of the Department of Agriculture and Forestry perform the administrative and accounting functions of the authority.

The authority was established to issue bonds to provide financing for agricultural loans, through the purchase or guarantee of existing loans or negotiation of new loans, and to supervise and use public employees, equipment, and material in carrying out public work. The bonds are limited special obligations of the Louisiana Agricultural Finance Authority and do not constitute a general, special, or moral obligation of the State of Louisiana. In addition, the authority can issue revenue bonds for the purpose of acquiring, constructing, renovating, and equipping an office building and connected related facilities for use by the Department of Agriculture and Forestry in connection with the promotion and assistance of agriculture and forestry within the state. The revenue bonds are limited obligations of the Louisiana Agricultural Finance Authority and do not constitute a debt of the State of Louisiana. Upon termination of the authority by law, R.S. 3:283 requires that all rights, money, assets, and revenues in excess of obligations be deposited in the state General Fund.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF ACCOUNTING**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the programs as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

The accounts of the authority are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

**Revenue Recognition**

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

**Expense Recognition**

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

**B. BUDGETARY ACCOUNTING**

The Louisiana Agricultural Finance Authority does not have a budget.

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS** (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

**1. DEPOSITS WITH FINANCIAL INSTITUTIONS**

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law, the authority may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the authority may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all deposits by the 3 categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2005, consisted of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 648,416	\$	\$ 12,253,183	\$ 12,901,599
Bank Balances of Deposits Exposed to Custodial Credit Risk:				
a. Uninsured and uncollateralized	\$	\$	\$	\$ -
b. Uninsured and collateralized with securities held by the pledging institution				-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the entity's name				-
Total Bank Balances (All Deposits)	\$ -	\$ -	\$ -	\$ -

NOTE: The "Total Bank Balances - All Deposits" will not necessarily equal the "Deposits in Bank Account per Balance Sheet" due to outstanding items.

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. Hibernia National Bank	all programs	\$ 718,926
2. Hancock Bank - Fiscal Agent	Lacassine Syrup Plant	12,253,183
		\$ 12,972,109

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury	\$ NONE
Petty Cash	\$ 200



**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

The authority has utility deposits of \$250 with the Town of Jonesville, \$125 with Tangipahoa Water District, \$75 with South Oakdale Water System, \$100 with Louisiana Gas in Oak Grove, and \$350 with the Town of Homer.

**Swap Agreement**

The authority entered into an interest rate swap agreement with Hibernia National Bank to reduce the impact of changes in interest rates on its Series 2004 Variable Rate Demand Revenue Bonds. As of June 30, 2005, \$45,000,000 in outstanding bonds was recorded as a liability in the financial statements.

Objective of the interest rate swap. As a means of lowering its borrowing costs, when compared against fixed-rate bonds, the authority entered into an interest rate swap agreement in connection with its 2004 Variable Rate Demand Revenue Bonds. The intention of the swap was to effectively change the authority's variable interest rate on the bonds to a fixed rate of 2.187500%.

Terms: The Master Swap Agreement, dated February 27, 2004, has a notional amount of \$45,000,000 and terminates March 1, 2006. The swap's notional amount matches the principal amount of the variable-rate bonds. Under the swap, the authority pays Hibernia National Bank fixed payments of 2.187500% for the bonds and receives a variable payment computed monthly. Conversely, the bond's variable-rate coupons are based on a floating market index.

Fair value. The fair value of the swap agreement as of June 30, 2005, is an asset of \$449,905, which is not recorded in the financial statements. The fair value was estimated using the proprietary models (as based upon indicative mid-market levels as of the close of business on the applicable date).

Termination risk: The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap agreement may be terminated if either party fails to make payment, when due, under the swap agreement; breaches the agreement; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or, merges without assumption.

**2. INVESTMENTS**

The authority does not have any investments.

**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**Notes to the Financial Statement**  
**As of and for the year ended June 30, 2005**

**D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES ASSETS**

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	Year ended June 30, 2005						
	Balance 06/30/04	Prior Period Adjustment	Adjusted Balance 07/01/04	Additions	Transfers *	Retirements	Balance 06/30/05
<b>Capital assets not being depreciated</b>							
Land	6,512,438		6,512,438				6,512,438
Non-depreciable land improvements	-		-				-
Capitalized collections	-		-				-
Construction in progress	10,484,441	(172,828)	10,311,613	28,526,623	(7,758,604)		31,079,632
<b>Total capital assets not being depreciated</b>	<b>16,996,879</b>	<b>(172,828)</b>	<b>16,824,051</b>	<b>28,526,623</b>	<b>(7,758,604)</b>	<b>-</b>	<b>37,592,070</b>
<b>Other capital assets</b>							
Furniture, fixtures, and equipment	5,865,469	101,750	5,967,219	3,123,196		(220,441)	8,869,974
Less accumulated depreciation	(3,645,141)		(3,645,141)	(594,827)		56,358	(4,183,610)
Total furniture, fixtures, and equipment	2,220,328	101,750	2,322,078	2,528,369	-	(164,083)	4,686,364
Buildings and improvements	25,407,873	(9,250)	25,398,623	218,697	3,804,073		29,421,393
Less accumulated depreciation	(5,494,660)		(5,494,660)	(638,535)			(6,133,195)
Total buildings and improvements	19,913,213	(9,250)	19,903,963	(419,838)	3,804,073	-	23,288,198
Depreciable land improvements	3,336,890		3,336,890		3,954,531		7,291,421
Less accumulated depreciation	(192,051)		(192,051)	(133,802)			(325,853)
Total depreciable land improvements	3,144,839	-	3,144,839	(133,802)	3,954,531	-	6,965,568
Infrastructure	-		-				-
Less accumulated depreciation	-		-				-
Total infrastructure	-	-	-	-	-	-	-
<b>Total other capital assets</b>	<b>25,278,380</b>	<b>92,500</b>	<b>25,370,880</b>	<b>1,974,729</b>	<b>7,758,604</b>	<b>(164,083)</b>	<b>34,940,130</b>
<b>Capital Asset Summary:</b>							
Capital assets not being depreciated	16,996,879	(172,828)	16,824,051	28,526,623	(7,758,604)	-	37,592,070
Other capital assets, at cost	34,510,232	92,500	34,702,732	3,341,893	7,758,604	(220,441)	45,582,788
Total cost of capital assets	51,607,111	(80,328)	51,526,783	31,868,516	-	(220,441)	83,174,858
Less accumulated depreciation	(9,331,852)	-	(9,331,852)	(1,367,164)	-	56,358	(10,642,658)
<b>Capital assets, net</b>	<b>42,275,259</b>	<b>(80,328)</b>	<b>42,194,931</b>	<b>30,501,352</b>	<b>-</b>	<b>(164,083)</b>	<b>72,532,200</b>

\* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

**E. INVENTORIES**

The authority has no inventories at June 30, 2005.

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005

**F. RESTRICTED ASSETS**

The authority has no non-current restricted assets at June 30, 2005.

**G. LEAVE**

The Louisiana Agricultural Finance Authority has no employees.

**H. RETIREMENT SYSTEM**

The Louisiana Agricultural Finance Authority has no employees.

**I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The Louisiana Agricultural Finance Authority has no employees.

**J. LEASES**

**1. OPERATING LEASES**

The total payments for operating leases during fiscal year 2005 amounted to \$1,200. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011- 2015</u>	<u>FY2016- 2020</u>
land for hanger	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$	\$	\$

**2. CAPITAL LEASES**

Capital leases are (are not) recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by National Council on Governmental Accounting (NCGA) Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 should be reported on the following schedules:

Capital leases are defined as an arrangement in which any one of the following conditions apply: (1) ownership transfers by the end of the lease, (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset life or, (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005

SCHEDULE A - TOTAL AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	<u>747,725</u>	<u>15,035</u>	<u>484,803</u>
c. Land	_____	_____	_____
Total	\$ <u>747,725</u>	\$ <u>15,035</u>	\$ <u>484,803</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

Year ending June 30, 2005:	<u>Total</u>
2006	\$ <u>355,673</u>
2007	<u>144,165</u>
2008	_____
2009	_____
2010	_____
Total minimum lease payments	<u>499,838</u>
Less amounts representing executory costs	_____
Net minimum lease payments	<u>499,838</u>
Less amounts representing interest	<u>(15,035)</u>
Present value of net minimum lease payments	\$ <u>484,803</u>

SCHEDULE B - NEW AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ _____	\$ _____	\$ _____
b. Equipment	<u>585,475</u>	<u>14,120</u>	<u>416,220</u>
c. Land	_____	_____	_____
Total	\$ <u>585,475</u>	\$ <u>14,120</u>	\$ <u>416,220</u>

**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**Notes to the Financial Statement**  
**As of and for the year ended June 30, 2005**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

Year ending June 30, 2005:	<u>Total</u>
2006	\$ 286,175
2007	<u>144,165</u>
2008	<u>          </u>
2009	<u>          </u>
2010	<u>          </u>
Total minimum lease payments	<u>430,340</u>
Less amounts representing executory costs	<u>          </u>
Net minimum lease payments	<u>430,340</u>
Less amounts representing interest	<u>(14,120)</u>
Present value of net minimum lease payments	<u>\$ 416,220</u>

**SCHEDULE C – LEAF CAPITAL LEASES**

The authority has no LEAF Capital Leases.

**3. LESSOR DIRECT FINANCING LEASES**

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

Provide a general description of the direct financing agreement, and complete the chart below:

On July 1, 2002, the authority entered into a lease agreements with the Department of Agriculture & Forestry for the acquisition, construction, and equipping of an office building in Woodworth and a cold storage food distribution warehouse acquired by the authority as a result of the issuance of its revenue bonds. Under the terms of the agreement, the Department of Agriculture and Forestry will take possession as lessee upon completion. The term of the lease agreement is from July 1, 2002, to July 1, 2012.

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<u>Composition of lease</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	07/01/03	\$ 8,673,752	\$ 1,065,314	\$ 7,608,438
b. Equipment				
c. Land				
Less amounts representing executory costs				
Minimum lease payment receivable		8,673,752		
Less allowance for doubtful accounts				
Net minimum lease payments receivable		8,673,752		
Less estimated residual value of leased property				
Less unearned income		(8,552,627)		
Net investment in direct financing lease		\$ 121,125		

Minimum lease payments do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rental payments occur if for example the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2005 were \$NONE for office space, \$NONE for equipment, and \$NONE for land.

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of June 30, 2005:

Year ending June 30:	
2006	\$ 1,353,248
2007	1,315,202
2008	1,277,154
2009	1,239,107
2010	1,201,060
2011-2015	2,287,981
2016-2020	
Total	\$ 8,673,752

**4. LESSOR – OPERATING LEASE**

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of June 30, 2005:

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	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
a. Office space	\$ 12,127,445	\$ (3,056,112)	\$ 9,071,333

The following is a schedule by years of minimum future rentals on non-cancelable operating lease(s) as of June 30, 2005:

Year Ended June 30,	Office Space	Equipment	Land	Other	Total
2006	\$ 819,600	\$	\$	\$ 97,000	\$ 916,600
2007	819,600			97,000	916,600
2008	819,600				819,600
2009	819,600				819,600
2010	819,600				819,600
2011-2015	4,098,000				4,098,000
2016-2020	3,300,000				3,300,000
	<u>\$ 11,496,000</u>	<u>\$ NONE</u>	<u>\$ NONE</u>	<u>\$ 194,000</u>	<u>\$ 11,690,000</u>

Current year lease revenues received in fiscal year 2005 totaled \$2,259,509.

Contingent rentals received from operating leases received for your fiscal year was NONE for office space, NONE for equipment, and NONE for land.

**K. LONG-TERM LIABILITIES**

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts due within one year
Bonds and notes payable					
Notes payable	\$ 21,890,963	\$ 6,500,000	\$ 11,608,653	\$ 16,782,310	\$ 11,563,736
Reimbursement contracts payable					
Bonds payable	52,224,500	1,224,500	840,562	52,608,438	1,086,920
Total notes and bonds	<u>74,115,463</u>	<u>7,724,500</u>	<u>12,449,215</u>	<u>69,390,748</u>	<u>12,650,656</u>
Other liabilities:					
Contracts payable					
Capital lease obligations	198,738	585,475	299,410	484,803	342,968
Liabilities payable from restricted assets					
Other long-term liabilities					
Total other liabilities	<u>198,738</u>	<u>585,475</u>	<u>299,410</u>	<u>484,803</u>	<u>342,968</u>
Total other liabilities	<u>\$ 74,314,201</u>	<u>\$ 8,309,975</u>	<u>\$ 12,748,625</u>	<u>\$ 69,875,551</u>	<u>\$ 12,993,624</u>

**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
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**As of and for the year ended June 30, 2005**

A detailed summary, by issues, of all debt outstanding at June 30, 2005, including outstanding interest of \$7,144,614 is shown on schedule 4. Schedule 5 is an amortization schedule of the outstanding debt. (Send OSRAP a copy of the amortization schedule for any new debt issued.)

Conduit Debt Obligations

In August 1995, the GASB issued Interpretation No. 2 (Disclosure of Conduit Debt Obligations). Governmental entities may enter into arrangements whereby a nongovernmental entity is able to finance the acquisition of facilities by issuing conduit debt obligations, which the GASB describes as follows:

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity.

The GASB concluded that conduit debt does not create a liability and, therefore, does not have to be presented on the governmental entity's financial statements.

The authority is authorized by R.S. 3:266 to issue bonds to provide financing for agricultural loans through the purchase or guarantee of existing loans, or negotiation on new loans. During 1986, the authority issued two bond issues (1986A I and 1986A II) totaling \$300,000,000 that are currently in default.

Both of the 1986 bond issues were payable solely from the proceeds of two Guaranteed Investment Contracts with Executive Life Insurance Company and from certain agricultural loans permitted under the financing program. The Commissioner of Insurance from the State of California placed Executive Life Insurance Company into conservatorship on April 11, 1991. Later, both of the 1986 series bonds defaulted.

Trustees of the two 1986 series defaulted bonds, referred to as LAFA I and LAFA II, have received distributions on behalf of bondholders under a modified plan of rehabilitation for Executive Life Insurance Company. During the period April 11, 1991, through January 15, 2003, trustees received interim payments, including interest, totaling \$144,292,093 and \$144,015,262 for the LAFA I and LAFA II bonds, respectively. As a result of this modified plan, court ordered trust administration costs of \$4,526,500 for LAFA I and \$4,526,500 for LAFA II were incurred and distributions totaling \$279,254,355 were made to bondholders on January 20, 1994; May 25, 1994; April 12, 1995; November 30, 1995; April 24, 1996; May 15, 1997; November 8, 1999; and January 15, 2003. This amount represents principal of \$103,946,826 and interest of \$35,818,767 for LAFA I bondholders and principal of \$101,856,212 and interest of \$37,632,550 for LAFA II bondholders. Distributions under the modified plan of rehabilitation for Executive Life Insurance Company can continue until the conservator of the distributions declares the distributions are complete or the modified plan has expired.



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**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
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**As of and for the year ended June 30, 2005**

In May 1999, the authority approved the issuance of \$8,690,000 in industry revenue bonds for the benefit of the Louisiana Pacific Corporation. Of these bonds, \$3,080,000 was issued in May 1999. The remaining \$5,610,000 was issued in July 1999. The total issue is backed by an \$11,700,000 mortgage in timber and real estate owned by the Louisiana Pacific Corporation. In addition, bondholders are secured by a letter of credit issued by Hibernia National Bank and Trust. These bonds are payable in semiannual installments over a period of five years. The authority has no obligation for the repayment of this debt in the event of default beyond collections that may be made through the sale of timber and real estate. These bonds were defeased on September 1, 2002.

Debt issued by the authority for which the authority and the government have no responsibility for repayment is not recorded in the accompanying financial statements and is comprised of the following issues:

<u>Issued for</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Maturity Dates</u>	<u>Authorized and Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Agricultural Loan Program:						
	unknown	1984B	various	\$6,496,669	\$6,427,084	\$69,585
	8.25%	1986A I	various	150,000,000	103,946,826	46,053,174
	8.80%	1986A II	various	150,000,000	101,856,212	48,143,788
Balance at June 30, 2005				<u>\$306,496,669</u>	<u>\$212,230,122</u>	<u>\$94,266,547</u>

**L. LITIGATION**

1. The authority is not involved in litigation seeking damages. The authority is involved in litigation against LAFA seeking relief other than damages.
2. Claims and litigation costs of \$377,600 were incurred in the current year and are reflected in the accompanying financial statement.

**M. RELATED PARTY TRANSACTIONS**

The authority has no related party transactions at June 30, 2005.

**N. ACCOUNTING CHANGES**

The authority made no accounting changes during the fiscal year ended June 20, 2005.

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

**O. IN-KIND CONTRIBUTIONS**

The authority has no in-kind contributions for the fiscal year ended June 20, 2005.

**P. DEFEASED ISSUES**

The authority has no defeased issues at June 30, 2005.

**Q. COOPERATIVE ENDEAVORS**

The authority has no cooperative endeavors at June 30, 2005.

**R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)**

The authority did not have any government-mandated nonexchange transactions (grants) during fiscal year 2004-2005.

**S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS**

The authority does not have violations of finance-related legal or contractual provisions at June 30, 2005.

**T. SHORT-TERM DEBT**

The authority has no short-term debt at June 30, 2005.

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005

**U. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at June 30, 2005, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
Gross receivables	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ NONE</u>	<u>\$ NONE</u>	<u>\$ NONE</u>	<u>\$ NONE</u>	<u>\$ NONE</u>

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at June 30, 2005, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
various	\$ 30,030	\$	\$	\$	\$ 30,030

**W. SUBSEQUENT EVENTS**

The authority has no subsequent events.

**X. SEGMENT INFORMATION**

The authority has no segments.

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005

**Y. DUE TO/DUE FROM AND TRANSFERS**

1. List by fund type the amounts **due from other funds** detailed by individual fund at your fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
	Department of Agriculture & Forestry	\$ 189,855
	Boll Weevil Eradication Fund	14,396,975
	Office of Group Benefits	22,716
		<u>\$ 14,609,546</u>

2. List by fund type the amounts **due to other funds** detailed by individual fund at fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
	Department of Agriculture & Forestry	\$ 146,788

3. List by fund type all transfers from other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
Total transfers from other funds		<u>\$ NONE</u>

4. List by fund type all transfers to other funds for the fiscal year:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
Total transfers to other funds		<u>\$ NONE</u>

**Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Liabilities payable from restricted assets in the authority at June 30, 2005, reflected at \$3,465,244 in the current liabilities section on Statement A, consist of \$3,465,244 in accounts payable.

STATE OF LOUISIANA  
 LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
 Notes to the Financial Statement  
 As of and for the year ended June 30, 2005

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

The following adjustments were made to restate beginning net assets for June 30, 2005.

Net Assets July 1, 2004, <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Net Assets July 1, 2004, <u>As restated</u>
\$ <u>28,912,628</u>	\$ <u>(80,288)</u>	\$ <u>28,832,340</u>

Each adjustment must be explained in detail on a separate sheet.

(NOTE: Net Assets at July 1, 2004, previously reported, must correspond to Net Assets at June 30, 2004, per the information received from OSRAP.)

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LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

1 Beginning Net Assets	108,394	
Construction in Progress		(108,394)

MISCLASSIFICATION – A payable for \$138,611 dated 06/30/04 was coded to the Lacassine Syrup Plant, \$108,394 should have been coded to Professional Services

**STATE OF LOUISIANA  
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Notes to the Financial Statement  
As of and for the year ended June 30, 2005**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

2 Property, Plant, & Equipment – Construction in Progress	356	
Beginning Net Assets		(356)

In prior year, Accountant coded some utilities used in construction to Operating Services: Utilities. Accountant made correction in current year.

**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**Notes to the Financial Statement**  
**As of and for the year ended June 30, 2005**

**EXPLANATION FOR NOTE AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

3 Property, Plant, & Equipment – Equipment	101,750	
Property, Plant, & Equipment – Buildings		(9,250)
Property, Plant, & Equipment – Construction in Progress		(64,750)
Beginning Net Assets		(27,750)

MISCLASSIFICATION – In prior year, coded rental payments of a piece of equipment that the authority has subsequently purchased



**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**SCHEDULE OF BONDS PAYABLE**  
**June 30, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/04	Redeemed (Issued)	Principal Outstanding 06/30/05	Interest Rates	Interest Outstanding 06/30/05
Buildings Project Series 2002	10/02/03	9,000,000	(7,224,500)	(383,938)	(7,608,438)	variable	(121,125)
Lacassine Syrup Mill	03/01/04	45,000,000	(45,000,000)		(45,000,000)	variable	38,091
Total		<u>\$54,000,000</u>	<u>(\$52,224,500)</u>	<u>(383,938)</u>	<u>(\$52,608,438)</u>		<u>(\$83,034)</u>

\*Send copies of new amortization schedules

**STATE OF LOUISIANA**  
**LOUISIANA AGRICULTURAL FINANCE AUTHORITY**  
**SCHEDULE OF CAPITAL LEASE AMORTIZATION**  
**For The Year Ended June 30, 2005**

<u>Fiscal Year</u> <u>Ending:</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2006	<u>355,672</u>	<u>12,705</u>	<u>342,968</u>	<u>-</u>
2007	<u>144,165</u>	<u>2,331</u>	<u>141,835</u>	<u>-</u>
2008	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
2009	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
2010	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
2011-2015	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
2016-2020	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
2021-2025	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
2026-2030	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
Total	<u>\$ 499,838</u>	<u>\$ 15,035</u>	<u>\$ 484,803</u>	<u>\$ -</u>

**STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY**

**SCHEDULE OF BONDS PAYABLE AMORTIZATION  
For The Year Ended June 30, 2005**

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,086,920	\$ 1,166,329
2007	4,986,920	1,128,282
2008	5,106,920	1,012,235
2009	5,236,920	893,788
2010	5,366,920	772,741
2011	5,501,920	649,094
2012	5,636,920	522,747
2013	4,695,000	393,700
2014	4,845,000	299,800
2015	4,995,000	202,900
2016	5,150,000	103,000
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
Total	\$ 52,608,438	\$ 7,144,614

STATE OF LOUISIANA  
LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and the reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	<u>4,624,101</u>	<u>5,791,323</u>	<u>(1,167,222)</u>	<u>-20.15%</u>
Expenses	<u>6,750,171</u>	<u>7,438,665</u>	<u>(688,494)</u>	<u>-9.26%</u>
2) Capital assets	<u>72,532,200</u>	<u>42,275,259</u>	<u>30,256,941</u>	<u>71.57%</u>
Long-term debt	<u>69,390,748</u>	<u>74,115,463</u>	<u>(4,724,715)</u>	<u>-6.37%</u>
Net Assets	<u>26,706,270</u>	<u>28,912,628</u>	<u>(2,206,358)</u>	<u>-7.63%</u>

Explanation for change:

Revenues	(1,646,918)	Contributions decreased due to receipt of the Department of Agriculture & Forestry's Catfish federal funds in FY 04, but not in FY 05; LAFA just cuts the checks.
	177,000	got a full year's rent for Food Distribution Warehouse
	205,355	Group Benefits rent went up
	16,200	got a full year's rent for Lacassine Office Building
	<u>(1,248,362)</u>	
Expenses	(1,501,238)	Contractual Services decreased because FY 04 had the the Department of Agriculture & Forestry's Catfish federal program; LAFA just cuts the checks.
	20,443	Operating Services increased because FY 05 has a full year of the remarketing fees for the \$45M bonds
	200,000	Operating Services increased because FY 05 has start-up costs for the Lacassine Syrup Plant
		Professional Services decreased because FY 03 had the expenses related to infrastructure construction and improvements of rail systems, facilities, and equipment related to the transportation of sugar cane.
	(532,747)	Supplies decreased because in FY 05, the focus, the manpower, is on the Lacassine Syrup Plant. Therefore, the only supplies being purchased are the supplies needed for the extremely necessary maintenance work.
	943,238	Interest Expense increased because FY 05 has a full year of interest expense on the \$45M Lacassine Syrup Mill bonds

	172,767	Interest Expense increased because FY 05 has an increase of \$6.5M in Boll Weevil notes
	<u>(697,536)</u>	
Capital assets	\$27,441,676	Lacassine Syrup Plant
	2,996,830	increase in equipment
	<u>\$30,438,506</u>	
Long-term debt	\$1,224,500	in new bonds
	(840,563)	in payments on bonds payable
	6,500,000	in new notes
	(11,608,653)	in payments on notes payable
	<u>(\$4,724,716)</u>	

3) LAFA has no budget.

**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain our report on internal control over financial reporting and on compliance with laws and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

December 7, 2005

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With Government Auditing Standards

**LOUISIANA AGRICULTURAL FINANCE AUTHORITY  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

We have audited the basic financial statements of the Louisiana Agricultural Finance Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Agricultural Finance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

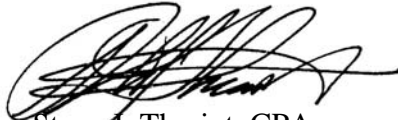
As part of obtaining reasonable assurance about whether the Louisiana Agricultural Finance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an



objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Louisiana Agricultural Finance Authority and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", is written over a horizontal line.

Steve J. Theriot, CPA  
Legislative Auditor

BB:CGEW:THC:dl

LAF05